

## FEDERAL RESERVE BANK OF CHICAGO

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### REPORT OF BUSINESS CONDITIONS IN THE SEVENTH FEDERAL RESERVE DISTRICT

JANUARY 1, 1919

(COMPILED DECEMBER 23, 1918)

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There is evidence in the Middle West of a distinct easing in the banking situation. Savings deposits are increasing in the banks, while general deposits are growing and loans are being curtailed. Furthermore, some gold is appearing in circulation and finding its way into banks which presumably has been in hiding since the early days of our participation in the war. This improvement in the banking situation is also reflected in the decrease in the volume of rediscounts at the Federal Reserve Bank of Chicago by member banks, compared with November.

Obviously the conservatism of the manufacturers in buying materials, and of the banker in extending credit, would contribute to a moderate contraction in loans. Naturally, the banker, since the signing of the armistice, has become more conservative in extending credit to those concerns which have been engaged in war production, and is growing more insistent on holding down such lines of credit to imperative needs.

#### **Savings Deposits Are Increasing.**

Evidence of thrift is revealed in a canvass of savings banks in the Seventh Federal Reserve District. Forty-three state banks in Chicago, for instance, between November 1 and December 10, or during the month following the signing of the armistice, showed an increase in savings of \$7,156,546, which is approximately .046 per cent. During the first ten months of 1918 these forty-three banks showed a decrease of \$3,676,045 in their savings accounts. Compared with the beginning of the European War in 1914, these same banks showed an increase on December 10 of \$1,658,315.

The decrease in savings deposits in Chicago during the first ten months of 1918 is attributed by bankers to the abnormal government demand for funds and the absorption of practically all the current accumulation in government securities instead of savings accounts. The significance in the Chicago figures lies in the fact that savings bank deposits, for the first time in 1918, are showing a tendency to grow.

#### **Trend in Savings Outside of Chicago.**

A canvass of some of the leading manufacturing centers in the Seventh Federal Reserve District indicates a similar trend. A coterie of savings banks in Indiana show an increase in deposits of .045 per cent between November 1 and December 10, whereas the same banks showed a small decrease during the first ten months of 1918. Illinois,

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outside of Chicago, shows an increase at five manufacturing centers in savings deposits, of .048 per cent from November 1 to December 10, which is a larger gain than has taken place in any previous month of 1918. The same banks during the European War and up to January 1, 1918, showed an increase of .330 per cent. Michigan shows an increase in savings deposits at six manufacturing centers, including two Detroit banks, of .044 per cent between November 1 and December 10, 1918. There has been a steady gain by these same Michigan banks all through the war. The increase in dollars following the signing of the armistice, however, is nearly as large as that during the preceding ten months. Iowa banks showed a growth in savings deposits smaller than the other states in the district. The gain to December 10 being .018 per cent, compared with November 1, whereas in the first ten months of the year there was a falling off of .070 per cent in savings accounts. This is accounted for by the heavy subscription to government securities. Wisconsin banks, representing five business centers, show an increase between November 1 and December 10 of .047 per cent in savings deposits. During the first ten months of 1918 there was a sharp recession in savings accounts. The gain between August 1, 1914, and January 1, 1918, was .210 per cent.

#### **Currency Coming Back into Circulation.**

Some Chicago bankers in analyzing the deposit gain estimate the November increases in savings accounts at from 15 to 100 per cent above the normal growth at this season. The amount of this gain that has shown indications of being money coming out of hiding is estimated from 2 to 30 per cent. The larger estimates come from savings banks in localities peopled chiefly by those of foreign birth or descendants of such, and also by downtown Chicago banks.

In the banking and industrial centers outside of Chicago where there is a considerable foreign born population, advices indicate, money that has been hoarded is returning to the banks in the shape of savings deposits. An indication of this is found in the appearance of gold notes in savings deposits. Some bills have been deposited as withdrawn from banks in currency wrappers, bearing dates of 1916 or early in 1917. The amount of gold returning to the banks, however, is relatively small compared with other currency.

#### **Banks Purchase Commercial Paper.**

Another indication of an unusual tendency in the banking situation lies in the fact that for the first time in more than a year the principal national banks in Chicago found it advisable, about the middle of December, to enter the commercial paper market as purchasers. These purchases, however, were made sparingly and with discrimination, but they indicate a gradual change toward a more normal situation in the supply of banking funds in the Middle West. While the 6 per cent interest rate may have been shaded some in the open market, the going rate may be said to be 6 per cent.

Another indication of the trend of the banking situation is the increase in the aggregate deposits and decreases in loans in twelve of the leading Chicago banks. Gross deposits on December 17 in these twelve central reserve city banks amounted to \$930,600,000, compared with \$917,600,000 a month previous. These same banks show aggregate loans, exclusive of bonds, of \$623,700,000 on December 17, compared to \$632,100,000 on November 18.

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### **Clearings Show Increase in Seventh District.**

Reports from practically all of the larger clearing houses in the Seventh Federal Reserve District indicate an increase in exchanges, compared with the same period in 1917. Chicago clearings for the first seventeen days of December, 1918, aggregated \$1,271,757,004, compared with \$1,159,181,106 for the corresponding period of 1917. Returns from twenty-three clearing houses in the Seventh Federal Reserve District outside of Chicago show \$349,109,800 total clearings during the first fifteen days of December, 1918, compared with \$303,551,800 in the corresponding period of 1917.

The postoffice receipts at Chicago during the first fifteen days of December were  $2\frac{1}{2}$  per cent less than for the corresponding period of 1917, whereas a month ago the receipts were 11 per cent less than the corresponding period of the previous year, that decline, however, being attributed largely to the effects of the influenza epidemic.

### **General Business Reflects Conservatism.**

Cancellation of government contracts is a factor in the general manufacturing situation in the Seventh Federal Reserve District, for the reason that it is still undetermined what effect these cancellations may have upon local manufacturers, and what bearing they will have upon employees during the readjustment period. In the manufacturing centers, for instance, it is estimated by bankers and business men that the time required to effect the change back to regular lines of production will be between three and six months. One striking feature of the advices from various manufacturing centers is the decidedly optimistic feeling prevailing as to the future, due chiefly to the assurance of a speedy and liberal policy in adjustment of cancelled contracts from the government departments.

The labor situation, however, reflects a notable change. There is apparently a smaller shortage of men than existed a month ago. In some centers, the women who were being employed in manufacturing lines are being released and their places are being filled with men, generally those returning from military service. This movement has not reached any considerable momentum, but it indicates the trend.

### **Business Approaching Readjustment Cautiously.**

There seems to be a disposition on the part of manufacturers to proceed with caution in working out the change to normal production, both in the treatment of labor and in laying in stock of raw material. Both necessarily are affected by the attitude of the government in the matter of releasing material and cancelling contracts. The consensus of opinion seems to be that the gradual release of governmental control over these important elements in manufacturing will tend to make the readjustments from a war to a peace production basis more orderly. Reports from various manufacturers indicate they are able to obtain common labor more freely than formerly, but there is still a shortage of expert labor, such as machinists and other mechanics working in iron and steel.

### **Automobile Manufacturers Optimistic.**

The automobile industry is gradually working back into normal production, and automobile manufacturers believe that the release of material will result in that industry returning to its old position in American manufacture. One automobile manufac-



turer estimates his plants will be back into full production of automobiles by March, and that the vehicle division will be back into full production early in January. The government has cancelled some automobile orders, but where such cancellations have resulted in the discharge of a large number of men, the accumulation of orders in ordinary pursuits are sufficiently promising to indicate the absorption of these men within sixty days.

#### Crop Conditions Are Excellent.

Agricultural conditions, so far as growing crops are concerned, are promising. Winter wheat conditions and total wheat acreage point to a record crop for 1919, if the growing season is at all favorable. The wheat plant is hardy, and in some instances the growth has been so rapid, farmers have found it advisable to pasture the wheat fields to prevent the wheat being endangered by freezing and "winter killing."

Corn gathering has been finished, and while the quantity, especially in Indiana, is somewhat disappointing, the quality is excellent, and there is no fear, according to the advices received, of any shortage in seed corn. There is probably more marketable corn, in proportion to the total production, than in several years. Some sections in the Seventh District will find it necessary to buy corn for feeding purposes. The farmer, however, is well fortified with money and credit with which to make these purchases, and the attitude of the Food Administration toward the prices of hogs is stimulating interest in hog raising, even if the purchase of corn is necessary to fatten the stock for market.

Excessive rains in the last five or six weeks have put all pastures in fine shape, especially to the southwest. Western Texas is restocking with cattle. Receipts at the various stockyards continue heavy, but hog prices have been sustained. Sheep, however, have experienced a bad slump in price.

#### Receipts of Livestock at Chicago for Month.

Receipts at Chicago of cattle, calves, hogs and sheep for the four weeks' period ending December 14, 1918, and for approximately the same period for 1917, follow:

	Cattle	Calves	Hogs	Sheep
1918.....	419,918	42,830	969,272	536,723
1917.....	352,121	38,155	803,671	319,597
Increase.....	67,797	4,675	165,601	217,126

#### RECEIPTS AND SHIPMENTS OF IMPORTANT COMMODITIES AT CHICAGO (000's Omitted)

	RECEIPTS				SHIPMENTS			
	1918	1917	1918	1917	1918	1917	1918	1917
Flour, bbls.....	995	879	616	862	553	671	346	781
Wheat, bu.....	6,279	2,505	5,629	2,276	3,484	1,375	8,498	840
Corn, bu.....	11,550	3,183	6,139	4,851	5,084	1,427	5,268	981
Oats, bu.....	10,942	13,726	10,957	13,634	6,904	9,208	9,435	9,257
Cured Meats, lbs.....	16,895	28,480	11,736	30,629	94,557	77,384	85,385	72,196
Fresh Meats, lbs.....	128,424	102,043	111,538	99,374	171,870	118,902	159,620	107,357
Lard, lbs.....	8,320	5,419	10,767	5,659	50,636	22,412	57,437	14,876
Cheese, lbs.....	18,399	18,719	11,958	13,974	6,361	8,637	4,744	8,461
Butter, lbs.....	21,916	26,889	16,122	17,537	20,486	24,671	15,290	17,814
Eggs, cases.....	240	295	124	192	369	297	311	280
Hides.....	10,874	10,868	12,959	15,803	16,502	17,976	15,791	23,246
Lumber, M. ft.....	130	268	142	253	70	114	72	96
Potatoes, bu.....	3,600	3,226	2,262	2,338	1,854	1,130	978	836